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KARL MORELL

kmorell@dc.bjllp.com

DEC 15 2005  
RECEIVED

December 15, 2005

215352

BY HAND DELIVERY

The Honorable Vernon Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W., Suite 700  
Washington, DC 20423-0001

Re: STB Finance Docket No. 34765, Vicksburg Southern Railroad, Inc.  
- Lease and Operation Exemption - The Kansas City Southern  
Railway Company

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. § 1150.31 and a check covering the \$1,500 filing fee. Also enclosed is a 3.5-inch diskette containing the Notice and Summary.

Please time and date stamp the extra copy of the Notice of Exemption and return it with our messenger.

If you have any questions, please contact me.

Sincerely yours,

*Karl Morell*

Karl Morell

ENTERED  
Office of Proceedings

Enclosures

FILED

DEC 15 2005

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SURFACE  
TRANSPORTATION BOARD

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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FINANCE DOCKET NO. 34765

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VICKSBURG SOUTHERN RAILROAD, INC.  
--LEASE AND OPERATION EXEMPTION--  
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

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VERIFIED NOTICE OF EXEMPTION  
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

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KARL MORELL  
Of Counsel  
BALL JANIK LLP  
Suite 225  
1455 F Street, N.W.  
Washington, D.C. 20005  
(202) 638-3307

Attorney for:  
VICKSBURG SOUTHERN  
RAILROAD, INC.

Dated: December 15, 2005

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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FINANCE DOCKET NO. 34765

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VICKSBURG SOUTHERN RAILROAD, INC.  
--LEASE AND OPERATION EXEMPTION--  
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

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VERIFIED NOTICE OF EXEMPTION  
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

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Vicksburg Southern Railroad, Inc. ("VSOR"), a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to permit VSOR to lease from The Kansas City Southern Railway Company ("KCS") and operate rail lines located in Mississippi totaling approximately 21.5 miles in length.

In support of this Notice of Exemption, VSOR submits the following information as required by 49 C.F.R. § 1150.33:

- (a) Full name and address of applicant:

Vicksburg Southern Railroad, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, Kansas 66762

(b) Applicant's Representative:

Karl Morell  
Of Counsel  
BALL JANIK LLP  
Suite 225  
1455 F Street, N.W.  
Washington, DC 20005  
(202) 638-3307

(c) Statement of Agreement:

VSOR has entered into an agreement with KCS for the lease of the rail line.

(d) The operator of the property:

VSOR will be the operator of the leased line.

(e) Summary of proposed transaction:

(1) The name and address of the company leasing the subject property:

The Kansas City Southern Railway Company  
PO Box 219335  
Kansas City, MO 64121-9335

(2) The involved transaction is expected to be consummated on or shortly after January 8, 2006.

(3) The rail lines that VSOR will lease are: (1) KCS's Redwood Branch which is located between Milepost 21.9, at the end of the line and near Redwood, Mississippi, and Milepost 218.0, north of the KCS's Vicksburg Yard, at Vicksburg, Mississippi, and including track numbers 418, 419, 429, 430, 431, 432 and 433 and the locomotive facility buildings within the Vicksburg Yard; and (2) the branch line located between Milepost 223.0, south of the connection with the KCS main line, and Milepost 229.85, near Cedars, Mississippi.

(4) The length of the rail lines being leased is approximately 21.5 miles.

(f) A map of the rail lines being leased is attached as Exhibit A.

(g) VSOR hereby certifies that VSOR's projected revenues as a result of this transaction will not result in VSOR becoming a Class II or Class I rail carrier. VSOR further certifies that the projected annual revenue of VSOR will not exceed \$5 million. Consequently, the requirements of 49 C.F.R. § 1150.32(e) do not apply to this transaction.

A caption summary, as required by 49 C.F.R. § 1150.34, is attached.

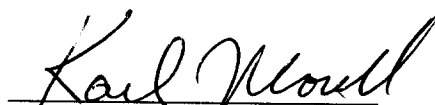
### **ENVIRONMENTAL AND HISTORIC IMPACTS**

VSOR is leasing the rail lines from KCS for continued rail operations. Further Board approval is required for VSOR to discontinue any service and there are no plans to dispose of or alter properties subject to Board jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

VSOR's lease and operation of the rail lines will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of this line to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the line; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. VSOR's lease and operation of the rail lines will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, the transportation of ozone depleting materials is not contemplated. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Karl Morell", is written over a horizontal line.

KARL MORELL  
Of Counsel  
BALL JANIK LLP  
Suite 225  
1455 F Street, N.W.  
Washington, DC 20005  
(202) 638-3307

Attorney for:  
VICKSBURG SOUTHERN RAILROAD, INC.

Dated: December 15, 2005

**EXHIBIT A**

# ARKANSAS

L O U I S I A N A

**GULF OF MEXICO**

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 34765

VICKSBURG SOUTHERN RAILROAD, INC.  
--LEASE AND OPERATION EXEMPTION--  
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

Vicksburg Southern Railroad, Inc. ("VSOR"), a non-carrier, has filed a notice of exemption to lease from The Kansas City Southern Railway Company ("KCS") and operate rail lines in Mississippi totaling approximately 21.5 miles in length. The rail lines being leased are located: (1) between Milepost 21.9, at the end of the line near Redwood, Mississippi, and Milepost 218.0, north of the KCS's Vicksburg Yard, at Vicksburg, Mississippi, and including track numbers 418, 419, 429, 430, 431, 432 and 433 and the locomotive facility buildings within the Vicksburg Yard; and (2) the branch line located between Milepost 223.0, south of the connection with the KCS main line, and Milepost 229.85, near Cedars, Mississippi.

This transaction is related to STB Docket No. 34766, Watco Companies, Inc. -- Continuance In Control Exemption -- Vicksburg Southern Railroad, Inc., wherein Watco Companies, Inc., has concurrently filed a verified notice to continue in control of VSOR upon VSOR becoming a Class III rail carrier.

Comments must be filed with the Board and served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005, (202) 638-3307.

This notice is filed under 49 C.F.R. 1150.31. If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C.



10505(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.


VERIFICATION

STATE OF KANSAS

COUNTY OF CRAWFORD

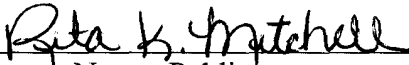
)  
) ss.  
)

I, Arthur E. McKechnie III, being duly sworn depose and state that I am Assistant Secretary of Vicksburg Southern Railroad, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.

  
Arthur E. McKechnie III

SUBSCRIBED AND SWORN TO before me this 12 day of December, 2005, in the County of Crawford, State of Kansas.

My Commission Expires: Feb 12  
2009

  
Notary Public